

UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA  
RENO, NEVADA

KERZNER INTERNATIONAL LIMITED, and ) 3:06-CV-232-ECR-RAM  
KERZNER INTERNATIONAL RESORTS, )  
INC., )

Plaintiffs, )

vs. )

MONARCH CASINO & RESORT, INC., and )  
GOLDEN ROAD MOTOR INN, INC., )

Defendants. )

MONARCH CASINO & RESORT, INC., and )  
GOLDEN ROAD MOTOR INN, INC., )

Counterclaimants, )

vs. )

KERZNER INTERNATIONAL LIMITED, and )  
KERZNER INTERNATIONAL RESORTS, )  
INC., )

Counterdefendants. )

**Order**

This case is a trademark infringement action relating to the "Atlantis" mark used by Plaintiffs/Counterdefendants Kerzner International Limited and Kerzner International Resorts, Inc. ("Kerzner") at a casino resort located on Paradise Island in The Bahamas, and by Defendants/Counterclaimants Monarch Casino & Resort, Inc. and Golden Road Motor Inn, Inc. ("Monarch") at a casino resort in Reno, Nevada. On November 12, 2009, we held a hearing regarding

1 the many motions that are pending in this case. In this order, we  
2 will rule on several of those motions, specifically, four motions  
3 for partial summary judgment (## 277, 279, 299, 310) filed by  
4 Monarch. The remaining motions still pending will be addressed in a  
5 separate order.

6  
7 **I. Background**

8 The Atlantis mark was first registered for lodging services by  
9 Atlantis Lodge, Inc. ("Lodge") on October 11, 1994 (U.S.  
10 Registration No. 1,857,994). Lodge has used the Atlantis mark for  
11 lodging services in North Carolina since June 6, 1963. The present  
12 case has its roots in the circumstance that Lodge separately  
13 licensed the Atlantis mark to both Kerzner and Monarch.<sup>1</sup>

14 Monarch has been offering lodging services in Reno, Nevada  
15 since 1972 and casino services since 1986. Monarch began using the  
16 Atlantis mark in connection with restaurant, bar, lounge, and  
17 nightclub services – but not lodging or casino services – in 1992.  
18 On February 3, 1996, Monarch entered into a license agreement with  
19 Lodge for use of the Atlantis mark. The agreement entitled Monarch  
20 to use the Atlantis mark in connection with lodging services  
21 provided at Monarch's Reno casino resort, which had previously  
22 operated under the "Clarion" mark, and granted Monarch exclusive use  
23 of the Atlantis mark for lodging services in all of Nevada, as well  
24 as the right to advertise those services. In April 1996, Monarch's

---

25  
26 <sup>1</sup> In this order, we will generally use the terms "Kerzner" and  
27 "Monarch" to refer to the parties collectively, as well as their  
28 respective predecessors-in-interest and subsidiaries, except where the  
distinctions are specifically relevant.

1 entire Reno facility began operating under the Atlantis mark,  
2 adopting the name "Atlantis Casino Resort." In July 1997, Monarch  
3 obtained a Nevada state trademark registration for the mark  
4 "Atlantis Casino Resort" for casino services, which it has since  
5 renewed several times. Monarch did not at any time, however, seek  
6 federal registration of the Atlantis mark for casino services.

7 On October 13, 1994, Kerzner entered into a license agreement  
8 with Lodge for use of the Atlantis mark at its casino resort in The  
9 Bahamas and in advertising in the United States. The facility had  
10 previously operated as the "Paradise Island Resort and Casino."  
11 Kerzner adopted the Atlantis mark in 1994: the advertising campaign  
12 for the grand reopening of Kerzner's casino resort under its new  
13 name, "Atlantis, Paradise Island," began in October 1994, and the  
14 reopening actually occurred in December 1994.

15 On July 29, 1996, Kerzner entered into an assignment and  
16 license agreement with Lodge. Under this agreement, Kerzner  
17 acquired the registered Atlantis mark for lodging services from  
18 Lodge and licensed the mark back to Lodge for use in North Carolina.  
19 The license agreement between Monarch and Lodge was attached as an  
20 exhibit to the Lodge/Kerzner assignment agreement, and Lodge's  
21 representations of its right to assign an interest in the Atlantis  
22 mark were made subject to Monarch's exclusive license to use the  
23 mark for lodging services in Nevada.

24 In February 1997, Kerzner applied for federal registration of  
25 the Atlantis mark for, among other things, casino services by filing  
26 an "intent to use" application with the United States Patent and  
27 Trademark Office ("USPTO"). Registration No. 2,810,825 ("825

1 Registration") was issued to Kerzner on February 3, 2004, after  
2 Kerzner filed a Statement of Use in September 2003, claiming a first  
3 use date of October 1994.

4 While the parties were simply operating their respective  
5 businesses in The Bahamas and in Reno, their uses of the Atlantis  
6 mark did not lead to dispute. Indeed, Kerzner has no quarrel with  
7 Monarch's continued use of the Atlantis mark at its Reno casino  
8 resort. The parties' respective plans for expansion, however, have  
9 collided in Las Vegas. Each alleges that the other has taken at  
10 least some steps towards creation of a casino resort in Las Vegas  
11 under the Atlantis mark – either by the party itself or by licensing  
12 the mark to a third party – in violation of their respective  
13 trademark rights.

14 Kerzner initiated the present lawsuit by filing its Complaint  
15 (#1) on January 27, 2006. Kerzner filed an Amended Complaint (#5)  
16 on February 14, 2006. Kerzner's Amended Complaint asserts six  
17 claims for relief: (1) Declaratory Judgment Pursuant to Section  
18 32(1) of the Lanham Act (trademark infringement); (2) Declaratory  
19 Judgment Pursuant to Section 43(A) of the Lanham Act (likelihood of  
20 confusion, mistake, or deception); (Declaratory Judgment Pursuant to  
21 Section 43(C) of the Lanham Act (dilution of a famous mark); (4)  
22 Declaratory Judgment Pursuant to Common Law Trademark Infringement  
23 and Unfair Competition; (5) Dilution Pursuant to Nevada Law (Nev.  
24 Rev. Stat. § 600.435); and (6) Deceptive Trade Practices Pursuant to  
25 Nevada Law (Nev. Rev. Stat. §§ 41.600 and 598.0915). Kerzner no  
26 longer presses its third, fifth, and sixth claims, however, and our  
27  
28

1 Minute Order (#425) granted Monarch summary judgment on those  
2 claims.

3 Monarch's Amended Answer and Counterclaims (#56) was filed on  
4 December 28, 2006. Monarch denied each of Kerzner's claims for  
5 relief, asserted various defenses, and also asserted eight  
6 counterclaims for relief<sup>2</sup>: (1) Cancellation of the Fraudulently  
7 Obtained '825 Registration; (2) Breach of License Agreement; (3)  
8 Indemnification Under the License Agreement; (4) Declaratory Relief  
9 Pursuant to Claim for Trademark Infringement; (5) Declaratory Relief  
10 that Counterclaimants Have Developed Valid Common Law Rights in an  
11 ATLANTIS Mark for Casino Services; (6) Declaratory Relief that  
12 Counterclaimants Own A Valid Nevada State Trademark for Casino  
13 Services under N.R.S. § 600.050 et seq.; (7) Declaratory Relief  
14 Pursuant to Claim for Trademark Infringement Under N.R.S. § 600.050  
15 et seq.; and (8) Declaratory Relief Pursuant to Claim for Deceptive  
16 Trade Practices. Six of the eight counterclaims remain in the case;  
17 Kerzner's motion (#69) to dismiss Monarch's second and third  
18 counterclaims was granted by the Court. (See Mins. of June 29,  
19 2007, Hr'g (#121).)

20

## 21 **II. Summary Judgment Standard**

22 Summary judgment allows courts to avoid unnecessary trials  
23 where no material factual dispute exists. N.W. Motorcycle Ass'n v.  
24 U.S. Dep't of Agric., 18 F.3d 1468, 1471 (9th Cir. 1994). The court  
25

---

26 <sup>2</sup> Monarch sought leave to file a second amended answer and  
27 counterclaims to add ninth and tenth counterclaims, but we denied  
28 Monarch leave to do so. (See Mins. of June 29, 2007, Hr'g (#121).)

1 must view the evidence and the inferences arising therefrom in the  
2 light most favorable to the nonmoving party, Bagdadi v. Nazar, 84  
3 F.3d 1194, 1197 (9th Cir. 1996), and should award summary judgment  
4 where no genuine issues of material fact remain in dispute and the  
5 moving party is entitled to judgment as a matter of law. FED. R.  
6 Civ. P. 56(c). Judgment as a matter of law is appropriate where  
7 there is no legally sufficient evidentiary basis for a reasonable  
8 jury to find for the nonmoving party. FED. R. Civ. P. 50(a). Where  
9 reasonable minds could differ on the material facts at issue,  
10 however, summary judgment should not be granted. Warren v. City of  
11 Carlsbad, 58 F.3d 439, 441 (9th Cir. 1995), cert. denied, 116 S.Ct.  
12 1261 (1996).

13       The moving party bears the burden of informing the court of the  
14 basis for its motion, together with evidence demonstrating the  
15 absence of any genuine issue of material fact. Celotex Corp. v.  
16 Catrett, 477 U.S. 317, 323 (1986). Once the moving party has met  
17 its burden, the party opposing the motion may not rest upon mere  
18 allegations or denials in the pleadings, but must set forth specific  
19 facts showing that there exists a genuine issue for trial. Anderson  
20 v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). Although the  
21 parties may submit evidence in an inadmissible form – namely,  
22 depositions, admissions, interrogatory answers, and affidavits –  
23 only evidence which might be admissible at trial may be considered  
24 by a trial court in ruling on a motion for summary judgment. FED.  
25 R. Civ. P. 56(c); Beyene v. Coleman Sec. Servs., Inc., 854 F.2d  
26 1179, 1181 (9th Cir. 1988).

1 In deciding whether to grant summary judgment, a court must  
2 take three necessary steps: (1) it must determine whether a fact is  
3 material; (2) it must determine whether there exists a genuine issue  
4 for the trier of fact, as determined by the documents submitted to  
5 the court; and (3) it must consider that evidence in light of the  
6 appropriate standard of proof. Anderson, 477 U.S. at 248. Summary  
7 judgment is not proper if material factual issues exist for trial.  
8 B.C. v. Plumas Unified Sch. Dist., 192 F.3d 1260, 1264 (9th Cir.  
9 1999). "As to materiality, only disputes over facts that might  
10 affect the outcome of the suit under the governing law will properly  
11 preclude the entry of summary judgment." Anderson, 477 U.S. at 248.  
12 Disputes over irrelevant or unnecessary facts should not be  
13 considered. Id. Where there is a complete failure of proof on an  
14 essential element of the nonmoving party's case, all other facts  
15 become immaterial, and the moving party is entitled to judgment as a  
16 matter of law. Celotex, 477 U.S. at 323. Summary judgment is not a  
17 disfavored procedural shortcut, but rather an integral part of the  
18 federal rules as a whole. Id.

### 19 20 III. Monarch's Motion (#277) Re. Priority of Use

21 Monarch has filed a motion entitled  
22 "Defendants/Counterclaimants' Motion for Partial Summary Judgment  
23 that Monarch has Priority of Use of the 'Atlantis' Mark for Casino  
24 Services in the United States" (#277). Kerzner opposed (#346) the  
25 motion, and Monarch replied (#371).

26 There are two fundamental principles of trademark law at issue  
27 in Monarch's motion: priority of use and the territoriality

1 principle. Ordinarily, the principle of first in time equals first  
2 in right applies in trademark law; trademark rights come from  
3 "earlier use of a mark in commerce." Grupo Gigante SA de CV v.  
4 Dallo & Co., Inc., 391 F.3d 1088, 1093 (9th Cir. 2004). "It is 'not  
5 enough to have invented the mark first or even to have registered it  
6 first.'" Id. (quoting Sengoku Works Ltd. v. RMC Int'l, Ltd., 96  
7 F.3d 1271, 1219 (9th Cir. 1996)). Priority of trademark rights in  
8 the United States, however, generally "depends solely on priority of  
9 use in the United States, not on priority of use anywhere else in  
10 the world." Id. (internal quotation marks omitted). "Earlier use  
11 in another country usually just does not count." Id.

12 A. The Parties' Dates of First Use

13 Monarch argues that its use of the Atlantis mark for casino  
14 services dates back to 1992, when it first began using the mark in  
15 connection with restaurant services. This date is well before  
16 Kerzner began to use the Atlantis mark in The Bahamas, let alone in  
17 the United States. Under the "related goods" or "natural expansion"  
18 doctrine, use of a mark in connection with one good or service could  
19 also give priority of use in connection with a second good or  
20 service, if the two are closely related. See, e.g., Brookfield  
21 Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1051 (9th  
22 Cir. 1999); Carnival Brand Seafood Co. v. Carnival Brands, Inc., 187  
23 F.3d 1307, 1310 (11th Cir. 1999); see also 4 J. Thomas McCarthy,  
24 McCarthy on Trademarks and Unfair Competition § 24:20 (4th ed. 2009)  
25 (describing this doctrine as "an unnecessarily complicated  
26 application of the likelihood of confusion of source or sponsorship  
27 test to a particular factual situation"). Monarch's idea here is



1 that, at least in Nevada, it is natural to expect that a business  
2 using a mark for restaurant services would expand into use of the  
3 mark for casino services. (D.'s Reply at 12-13 (#371).)

4       There does not appear to be any authority, however, that  
5 supports Monarch's assertion that restaurant services and casino  
6 services should be considered closely related. To the contrary, at  
7 least one court has explicitly rejected very similar arguments. See  
8 Planet Hollywood (Region IV), Inc. v. Hollywood Casino Corp., 80 F.  
9 Supp. 2d 815, 881 (N.D. Ill. 1999) (finding that restaurant services  
10 are not closely related to casino services). Monarch asserts that  
11 Planet Hollywood should be distinguished on its facts, citing the  
12 "uniqueness of the Nevada gaming marketplace." (D.'s Reply at 13  
13 (#371).) Even in Nevada, however, the vast majority of restaurants,  
14 bars, lounges and nightclubs do not expand into the casino business.  
15 See Planet Hollywood, 80 F. Supp. 2d at 882 (finding no likelihood  
16 of consumer confusion on a similar basis). Such an expansion is not  
17 an unprecedented occurrence, but Monarch's expert could cite only  
18 six of 270 casinos in Nevada with revenue of more than a million  
19 dollars that started out as restaurants. (Wells Dep., PX 72 at  
20 40:16-41:3 (#334-86); Wells Report, D's Ex. C65 at 5-3, 5-4 (#367-  
21 71).) The percentage of restaurants that later expand into casinos  
22 is surely even smaller. Thus, we conclude that restaurant services  
23 and casino services are not closely related, even in Nevada.  
24 Monarch only began to develop trademark rights in the Atlantis mark  
25 for casino services when it actually began using the mark in  
26 connection with casino services in April 1996.

1 Kerzner claims first use of the Atlantis mark as of October  
2 1994, based on the beginning of the advertising campaign for the re-  
3 opening of its casino resort under the Atlantis mark. Kerzner did  
4 not begin to use the Atlantis mark in connection with casino  
5 services, as opposed to merely advertising for casino services,  
6 until December 1994. Trademark rights, however, "can vest even  
7 before any goods or services are actually sold if 'the totality of  
8 [one's] prior actions, taken together, [can] establish a right to  
9 use the trademark.'" Brookfield, 174 F.3d at 1052 (quoting New West  
10 Corp. v. NYM Co. of Cal., Inc., 595 F.2d 1194, 1200 (9th Cir.  
11 1979)); see also Hotel Corp. of Am. v. Inn Am., Inc., 153 U.S.P.Q.  
12 574, 576 (T.T.A.B. 1967) (noting that a hotel could acquire priority  
13 of use prior to opening if the use in connection with advertising or  
14 promotional material in advance of opening was "of such nature and  
15 extent as to create an association of the goods or services and the  
16 mark with the user thereof"). Here, however, we need not engage in  
17 the analysis necessary to determine whether Kerzner's promotional  
18 campaign alone was sufficient to establish a right to use the mark:  
19 the difference between October 1994 and December 1994 as Kerzner's  
20 priority of use date is not material to any issue now before the  
21 Court, so we may start our analysis with the later date.

22 Monarch has challenged whether Kerzner adopted the Atlantis  
23 mark in connection with casino services even in December 1994,  
24 suggesting instead that Kerzner then adopted "Atlantis, Paradise  
25 Island" as the name of the entire resort, but continued to operate  
26 the casino at that resort only under the name "Paradise Island  
27 Casino." (Hr'g Tr. 26-35 (#427).) This argument is without merit.

1 It is undisputed that Kerzner adopted the Atlantis mark for its  
2 casino resort as a whole beginning in December 1994, upon the  
3 facility's reopening under its new name. Monarch itself makes  
4 arguments in other contexts that implicitly depend on the premise –  
5 which Kerzner does not dispute – that it would be impractical, if  
6 not impossible, to operate a casino resort under one name for the  
7 whole facility, while operating the associated casino solely under a  
8 different name. (See D.'s Reply at 5 (#373) (asserting that  
9 “[w]ithout the ability to offer lodging services in Nevada under the  
10 mark, Kerzner does not have the ability to use any federal rights it  
11 claims in casino services under the Atlantis name in the state”).)  
12 The scant evidence to which Monarch has pointed in support of the  
13 notion that Kerzner nonetheless has attempted to do so is  
14 insufficient to raise a genuine issue of material fact on this  
15 issue. At best, Monarch has demonstrated that the Paradise Island  
16 mark continued to be used in some respects at Kerzner's casino for  
17 some period of time after December 1994, a circumstance which, even  
18 if true, would not nullify Kerzner's concurrent use of the Atlantis  
19 mark. See Carter-Wallace, Inc. v. Procter & Gamble Co., 434 F.2d  
20 794, 800 (9th Cir. 1970) (noting that “a product can bear more than  
21 one trademark”); see also Johnny Blastoff, Inc. v. L.A. Rams  
22 Football Co., 188 F.3d 427, 435 (7th Cir. 1999) (same); Loonen v.  
23 Deitsch, 189 F. 487, 493 (2d Cir. 1911) (finding “that there is no  
24 objection to as many trade-marks as the trade will in fact  
25 assimilate”). We will, therefore, use December 1994 as Kerzner's  
26 date of first use in our analysis.

1        B. The Territoriality Principle

2        Monarch argues that, even if Kerzner began to use the Atlantis  
3 mark for casino services in December 1994 and Monarch only adopted  
4 the mark in April 1996, Monarch still prevails here under the  
5 territoriality principle. Kerzner's "Atlantis, Paradise Island" is  
6 located in The Bahamas, and Kerzner does not operate any similar  
7 facility in the United States. Thus, Monarch argues, Kerzner could  
8 not be the senior user of the Atlantis mark for casino services in  
9 the United States.

10       Kerzner presents three alternative arguments in opposition.  
11 First, Kerzner asserts that, though the casino owned and operated by  
12 Kerzner is located outside of the United States, functions integral  
13 to the operation of that casino are performed by Kerzner in the  
14 United States under the Atlantis mark. Kerzner argues that such use  
15 gives rise to trademark rights under the reasoning of Penta Hotels  
16 Ltd. v. Penta Tours, 9 U.S.P.Q.2d 1081, 1094 (D. Conn. Sep. 30,  
17 1988). Second, Kerzner cites a Fourth Circuit case, International  
18 Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers  
19 a Monaco, 329 F.3d 359 (4th Cir. 2003), for the notion that use of a  
20 mark in advertising or sale of services in the United States,  
21 coupled with the rendering of those services abroad to United States  
22 citizens, is sufficient to give rise to trademark rights in the  
23 United States. Finally, Kerzner invokes a Ninth Circuit case, Grupo  
24 Gigante, 391 F.3d at 1088, for the proposition that Kerzner's use of  
25 the Atlantis mark falls under an exception to the territoriality  
26 principle for well-known or famous foreign marks. Under any of  
27 these theories, Kerzner argues, Monarch's first use of the Atlantis  
28

1 mark for casino services in April 1996 is too late to give Monarch  
2 priority of use. We will examine each of these arguments  
3 separately.

4 1. Kerzner's Use of the Atlantis Mark in the United States

5 For a service mark to qualify for trademark protection under  
6 the Lanham Act, the mark must be "used in commerce." 11 U.S.C. §  
7 1127. A mark is "deemed to be used in commerce . . . (2) on  
8 services when it is used or displayed in the sale or advertising of  
9 services and the services are rendered in commerce, or the services  
10 are rendered in more than one State or in the United States and a  
11 foreign country and the person rendering the services is engaged in  
12 commerce in connection with the services." Id.

13 As noted above, it is undisputed that Kerzner does not operate  
14 a casino in the United States. Kerzner asserts, however, that its  
15 United States operations include "the taking of, making and  
16 confirming reservations for casino patrons, casino sales, casino  
17 comps and casino junkets, as well as the marketing and advertising  
18 of the brand and the resort in the United States for its prospective  
19 United States customers." (P.'s Opp. at 45 (#346).) "Casino  
20 accounting, casino treasury, [and] casino credit" activities are  
21 apparently also a part of Kerzner's United States operations. (Id.  
22 at 44.) Kerzner argues that these activities conducted under the  
23 Atlantis mark, which it claims are "integral" to providing casino  
24 services, constitute use of the mark in commerce in the meaning of  
25 the Lanham Act: "'Use' of a mark in interstate commerce under the  
26 Lanham Act may be established through the physical presence of  
27 offices in the United States that perform commercial activities that  
28

1 are an integral part of the service in question, even if the bricks-  
2 and-mortar aspect of the service . . . is located outside the United  
3 States.” (Id. (citing Penta Hotels, 9 U.S.P.Q.2d at 1094).)

4 Many of the services that Kerzner claims constitute activities  
5 integral to casino services are more properly considered to be  
6 integral to lodging or hotel services: “the taking of, making and  
7 confirming reservations for casino patrons, casino sales, casino  
8 comps and casino junkets” (id.) appear to boil down to providing  
9 hotel rooms to customers, rather than something more directly  
10 constituting casino services, like running a blackjack table.  
11 “[C]asino accounting, casino treasury, [and] casino credit”  
12 activities (id. at 44), however, are somewhat more plausibly  
13 considered integral to providing casino services.

14 Nevertheless, Kerzner’s reliance on Penta Hotels is misplaced.  
15 In that case, the court found that the plaintiffs had rendered  
16 “hotel services” in the United States by taking and confirming  
17 reservations for hotels physically located in New York – first for  
18 an affiliated hotel, Barbizon, which was advertised as a member of  
19 the Penta chain, and later for a hotel named “the New York Penta” –  
20 in addition to taking and confirming reservations for Penta hotels  
21 located in Europe. Penta Hotels, 9 U.S.P.Q.2d at 1094-95. In Penta  
22 Hotels, it is the combination of activities integral to hotel  
23 services plus the providing of actual hotel rooms in the United  
24 States that were found to constitute use in commerce under the  
25 Lanham Act. Id. Even if certain language in Penta Hotels could be  
26 read as Kerzner urges when taken out of context, to adopt such a  
27 view of the use in commerce requirement would be contrary to the  
28

1 principle, well established and recently reiterated in emphatic  
2 terms by the Ninth Circuit, that activity outside the United States  
3 normally does not create trademark rights within the United States.  
4 Grupo Gigante, 391 F.3d at 1093 ("Earlier use in another country  
5 usually just does not count.").

6 We conclude that the activities Kerzner claims to conduct in  
7 the United States under the Atlantis mark could not alone constitute  
8 use in commerce in connection with casino services in the United  
9 States, no matter how integral those activities may be to running a  
10 casino physically located abroad. The actual casino services  
11 provided by Kerzner abroad usually would not "count" under the  
12 territoriality principle. International Bancorp and Grupo Gigante  
13 describe two possible exceptions, however, to the territoriality  
14 principle. We will now consider of each of these exceptions.

15 2. International Bancorp

16 In International Bancorp, a majority of a three-judge Fourth  
17 Circuit panel, over a strong dissent, found that use of an  
18 unregistered mark in connection with casino services provided to  
19 United States citizens at a casino in Monte Carlo, coupled with  
20 advertising of those services in the United States, satisfied the  
21 Lanham Act's use in commerce requirement. 329 F.3d at 370. The  
22 majority reasoned as follows: (1) the casino had used the mark in  
23 the sale and advertising of its services in the United States, as  
24 well as actually providing those services to United States citizens  
25 at the casino in Monte Carlo; (2) the rendering of such services  
26 abroad to United States citizens constitutes foreign trade; and (3)  
27 the Lanham Act defines "commerce" as "all commerce which may  
28

1 lawfully be regulated by Congress," which includes foreign trade.

2 See id.

3 Kerzner argues that under International Bancorp it established  
4 use in commerce of the Atlantis mark when it adopted the mark for  
5 its casino resort in The Bahamas and began rendering casino services  
6 to Americans, while using the mark in advertising of those services  
7 in the United States. Kerzner is correct – under International  
8 Bancorp, it has established priority of use. Indeed, the factual  
9 situation here is identical to that of International Bancorp in most  
10 relevant respects.

11 International Bancorp is not, however, controlling precedent in  
12 the Ninth Circuit. The Ninth Circuit has acknowledged the existence  
13 of International Bancorp, but explicitly declined to consider  
14 adopting the Fourth Circuit's reasoning since the parties in the  
15 case before it had not raised the question. Grupo Gigante, 391 F.3d  
16 at 1094. The Ninth Circuit panel noted, however, that the  
17 International Bancorp majority's interpretation of the Lanham Act  
18 "has been called into question." Id. at 1106 n.39. Moreover, as  
19 the International Bancorp dissent correctly notes, the majority's  
20 opinion is "squarely in conflict with at least two of our sister  
21 circuits, the TTAB, and all other existing authority on this issue."  
22 Int'l Bancorp, 329 F.3d at 389 (Motz, J., dissenting). That  
23 "existing authority" is consistent with the statement in Grupo  
24 Gigante that "use in another country usually just does not count."  
25 Grupo Gigante, 391 F.3d at 1093; see Int'l Bancorp, 329 F.3d at 389-  
26 94 (Motz, J., dissenting) (discussing the "existing authority"); see  
27 also infra note 3.



1        Thus, we predict that the Ninth Circuit will decline to adopt  
2 the reasoning of the International Bancorp majority, if and when the  
3 question is squarely presented to it. Kerzner's arguments based on  
4 International Bancorp, therefore, are unpersuasive.

5                    3. Grupo Gigante

6        Like International Bancorp, Grupo Gigante represents an  
7 exception to the territoriality principle that has been explicitly  
8 recognized in only one circuit, and which has been criticized by at  
9 least some other courts. See, e.g., ITC Ltd. v. Punchgini, Inc.,  
10 482 F.3d 135, 164 (2d Cir. 2007) (declining to follow Grupo  
11 Gigante). Grupo Gigante, however, is a Ninth Circuit case, and thus  
12 is binding precedent here. Kerzner argues in the alternative to its  
13 arguments under Penta Hotels and International Bancorp that it is  
14 entitled to trademark protection under Grupo Gigante.

15        In Grupo Gigante, the Ninth Circuit held "that there is a  
16 famous mark exception to the territoriality principle." 391 F.3d at  
17 1094. No circuit court had ever recognized such an exception, but  
18 the notion that there was such an exception had been accepted by a  
19 few lower courts, as well as the Patent and Trademark Office's  
20 Trademark Trial and Appeal Board. Id. at 1094-95. The basic idea  
21 of the exception is that "even those who use marks in other  
22 countries can sometimes – when their marks are famous enough – gain  
23 exclusive rights to the marks in this country." Id. at 1095. The  
24 panel justified this conclusion largely on policy grounds: "An  
25 absolute territoriality rule without a famous-mark exception would  
26 promote consumer confusion and fraud. Commerce crosses borders. In  
27 this nation of immigrants, so do people. Trademark is, at its core,

28

1 about protecting against consumer confusion and 'palming off.'" Id.  
2 at 1094.<sup>3</sup>

3 Grupo Gigante describes a two-step analytical process to  
4 determine whether a mark falls under the famous-mark exception.  
5 First, the district court must determine whether the mark has  
6 achieved the level of recognition that would be necessary in a  
7 domestic trademark infringement case. Id. at 1098; see also id. at  
8 1106 (Graber, J., concurring). Second, "where the mark has not  
9 before been used in the American market, the court must be  
10 satisfied, by a preponderance of the evidence, that a substantial  
11 percentage of consumers in the relevant American market is familiar  
12 with the foreign mark. The relevant American market is the  
13 geographic area where the defendant uses the alleged infringing  
14 mark." Id. at 1098. Thus, the standard for famous marks is an  
15 intermediate one: "[t]o enjoy extraterritorial trademark protection,

---

17 <sup>3</sup> It is worth noting that this justification for the famous marks  
18 exception is fundamentally incompatible with the holding of  
19 International Bancorp. If the Ninth Circuit were to adopt  
20 International Bancorp., the famous-mark exception would not quite be  
21 superfluous: one could imagine a mark that becomes famous through word  
22 of mouth, but which is never advertised in the United States and thus  
23 does not satisfy the requirements of International Bancorp., but  
24 nonetheless qualifies for the famous marks exception. The Ninth  
25 Circuit's reasoning justifying the famous marks exception, however –  
26 recognizing an exception to the territoriality principle only in the  
27 rare circumstance where not to do so would promote consumer confusion  
28 and fraud – would be undermined. International Bancorp. would  
recognize trademark rights in marks that have not necessarily achieved  
more than a minimal level of consumer recognition in the United  
States: so long as the foreign user advertises its services in the  
United States and manages to attract some American customers to the  
services provided abroad, the Lanham Act's use in commerce requirement  
would be deemed satisfied. As such, we are further confirmed in our  
prediction that the Ninth Circuit would decline to adopt the holding  
of International Bancorp., if and when the question is squarely  
presented to it.

1 the owner of a foreign trademark need not show the level of  
2 recognition necessary to receive nation-wide protection against  
3 trademark dilution. On the other hand, the foreign trademark owner  
4 who does not use a mark in the United States must show more than the  
5 level of recognition that is necessary in a domestic trademark  
6 infringement case.” Id. at 1106 (Graber, J., concurring).

7 Kerzner has argued that under Grupo Gigante, we should examine  
8 whether Kerzner’s mark had acquired the status of a famous mark at  
9 the time the dispute between the parties arose, that is, in 2005 at  
10 the earliest. (Hr’g Tr. at 68-69 (#427).). Kerzner’s  
11 interpretation of Grupo Gigante is flawed. In Grupo Gigante, the  
12 Ninth Circuit agreed with the district court that if the mark used  
13 abroad by plaintiffs was already a famous mark in the United States  
14 “by the time [the defendants] began using it, an exception to the  
15 territoriality principle applied.” Id. at 1092; see also Grupo  
16 Gigante SA de CV v. Dallo & Co., Inc., 119 F. Supp. 2d 1083, 1091  
17 (C.D. Cal. 2000) (stating that the “relevant inquiry” was whether  
18 plaintiff’s mark was sufficiently known to United States consumers  
19 so as to warrant protection as of the time the defendants first used  
20 the mark). Thus, the relevant date here is April 1996, when Monarch  
21 began to use the Atlantis mark in connection with casino services.

22 That said, evidence developed later may nevertheless be  
23 credible evidence of consumer recognition as of the relevant date.  
24 In Grupo Gigante, for example, respondents to a survey performed  
25 during the course of litigation were asked not just whether they  
26 recognized the plaintiffs’ mark, but also when they had first heard  
27  
28

1 of it to the best of their recollection. See Grupo Gigante, 119 F.  
2 Supp. 2d at 1093.

3 In short, Monarch is entitled to summary judgment on the  
4 applicability of the Grupo Gigante famous-marks exception to the  
5 territoriality principle if there is no genuine issue of material  
6 fact regarding whether Kerzner's Atlantis mark acquired the status  
7 of a famous mark before Monarch adopted the Atlantis mark in  
8 connection with casino services in April 1996.

9 a. Distinctiveness

10 In order to be protected as a trademark, a mark must be capable  
11 of identifying particular goods and services and distinguishing them  
12 from the goods and services of others. See, e.g., Two Pesos, Inc.  
13 v. Taco Cabana, Inc., 505 U.S. 763, 768-69 (1992); Lahoti v.  
14 Vericheck, Inc., ---F.3d---, 2009 WL 3807105 (9th Cir. Nov. 16,  
15 2009). Marks that are fanciful, arbitrary, or suggestive are  
16 regarded as immediately capable of identifying particular goods or  
17 services, and thus are deemed inherently distinctive and entitled to  
18 protection immediately upon adoption and use. Two Pesos, 505 U.S.  
19 at 768. Marks that are merely descriptive of a product are not  
20 inherently distinctive, but may acquire distinctiveness; this  
21 acquired distinctiveness is generally called "secondary meaning."  
22 Id. at 769. Marks that are generic – that is, marks that refer to  
23 "the genus of which the particular product is a species" – are  
24 considered incapable of acquiring distinctiveness, and are never  
25 entitled to trademark protection. Id. at 768.

26 The mark at issue in Grupo Gigante was deemed descriptive and  
27 thus was not entitled to trademark protection, even if used

1 domestically, until secondary meaning had been achieved. See Grupo  
2 Gigante, 391 F.3d at 1095. The Ninth Circuit agreed with the  
3 district court's determination that the mark had achieved secondary  
4 meaning. Id. at 1098.

5 The mark at issue in the present case, however, is arbitrary:  
6 "Atlantis" does not have any descriptive meaning when applied to  
7 casino or lodging services.<sup>4</sup> Thus, the mark is inherently  
8 distinctive, and an inquiry into secondary meaning is not necessary.  
9 The factors relevant to the secondary meaning analysis, however,  
10 also bear on the second, "substantial percentage of consumers,"  
11 analysis: "secondary meaning is, in effect, synonymous with consumer  
12 recognition and association." Grupo Gigante, 119 F. Supp. 2d at  
13 1091 (citing Carter-Wallace, inc. v. Procter & Gamble Co., 434 F.2d  
14 794, 802 (9th Cir. 1970)).

15 b. Substantial Percentage of Consumers

16 The majority opinion in Grupo Gigante provides very little  
17 guidance as to what, exactly, constitutes a sufficiently  
18 "substantial" percentage of consumers who are familiar with a  
19 foreign mark for the foreign mark exception to the territoriality  
20 principal to apply. The concurrence suggests 50%, following the  
21 analysis of Professor McCarthy. Grupo Gigante, 391 F.3d at 1108  
22 (Graber, J., concurring). On that basis, the concurrence would have

---

23  
24 <sup>4</sup> If a casino resort where such services were offered were  
25 located in a town called "Atlantis," say, then the mark would be  
26 descriptive. As applied to a seafood restaurant, the mark would  
27 probably best be considered suggestive, as evocative of the ocean and  
28 thus seafood through the association with the legendary sunken  
continent of that name. When used in connection with casino resorts  
located in Reno, The Bahamas, or Las Vegas, however, the Atlantis mark  
is arbitrary.

1 held that the mark at issue did not fall under the famous-mark  
2 exception as a matter of law. Id. The majority, however, did not  
3 adopt the concurrence's suggestion, expressing no opinion on what  
4 the result should be on remand. Id. at 1098-99. Moreover, it seems  
5 likely that if the majority intended the standard to be 50%, they  
6 would have phrased the test not as a "substantial percentage of  
7 consumers," but as a "majority of consumers."

8       The relevant factors in determining whether a substantial  
9 percentage of consumers are familiar with a foreign mark, borrowed  
10 from the secondary meaning context, include: survey evidence; direct  
11 consumer testimony; exclusivity, manner and length of use of the  
12 mark; amount and manner of advertising; amount of sales and number  
13 of customers; established place in the market; and proof of  
14 intentional copying by the defendant. See, e.g., Filipino Yellow  
15 Pages, Inc. v. Asian Journal Publ'ns, Inc., 198 F.3d 1143, 1151 (9th  
16 Cir. 1999). Survey evidence will often provide the most persuasive  
17 evidence of consumer recognition and association, but it is not a  
18 requirement. Comm. for Idaho's High Desert v. Yost, 92 F.3d 814,  
19 822 (9th Cir. 1996); Levi Strauss & Co. v. Blue Bell, Inc., 778 F.2d  
20 1352, 1358 (9th Cir. 1985). Also, the Ninth Circuit emphasized in  
21 Grupo Gigante that "such factors as the intentional copying of the  
22 mark by the defendant, and whether customers of the American firm  
23 are likely to think they are patronizing the same firm that uses the  
24 mark in another country" are of particular importance: though "not  
25 necessarily determinative, they are particularly relevant because  
26 they bear heavily on the risks of consumer confusion and fraud,

27

28

1 which are the reasons for having a famous-mark exception." Grupo  
2 Gigante, 391 F.3d at 1098.<sup>5</sup>

3 Kerzner's evidence of consumer awareness of Kerzner's casino  
4 resort operated under the Atlantis mark includes the expert report  
5 of Dr. Jacob Jacoby. (Jacoby Report, PX 55 (#334-58).) Dr. Jacoby  
6 found that 37.6% of those surveyed were aware of Kerzner's Atlantis  
7 resort in the Bahamas, with 57.6% of those surveyed in Las Vegas  
8 being aware of it. (Id. at 31.) The relevant geographic area under  
9 Grupo Gigante is "the geographic area where the defendant uses the  
10 alleged infringing mark." Grupo Gigante, 391 F.3d at 1098.  
11 Consumer awareness in Las Vegas, therefore, is the more relevant  
12 measurement, since it is the potential construction of an Atlantis  
13 casino resort in Las Vegas that is at issue in this case. Under  
14 Grupo Gigante, the 57.6% consumer awareness shown by Dr. Jacoby's  
15 investigation would be sufficient to justify a finding that the mark  
16 is famous or well-known – it is sufficient even under the stricter  
17 50% standard suggested by the concurrence.

18 Dr. Jacoby's surveys, however, were performed in 2007. Unlike  
19 the surveys discussed in Grupo Gigante, Dr. Jacoby did not ask  
20 respondents when they had first heard of the foreign user's mark,  
21 instead measuring only consumer awareness as of the time of the  
22 survey. C.f. Grupo Gigante, 119 F. Supp. 2d at 1093. Dr. Jacoby's  
23 surveys may be probative of whether Kerzner now qualifies for  
24 trademark protection now under the famous-mark exception, and thus

---

25  
26 <sup>5</sup> We discuss below only those factors, and the evidence relating  
27 to them, that are most relevant to our disposition of the present  
28 motion, though we have considered all the factors and all the evidence  
in the record.

1 are relevant to Kerzner's claims for injunctive relief going  
2 forward. But Dr. Jacoby's surveys lack any probative value  
3 regarding the fame of Kerzner's mark at the time relevant for the  
4 present inquiry, which is when Monarch began using the Atlantis  
5 mark, in April 1996.

6 Dr. Jacoby's surveys may be somewhat probative of the issue of  
7 whether customers of the American firm are likely to think they are  
8 patronizing the same firm that uses the mark in another country.  
9 Dr. Jacoby used, among other things, advertisements for a  
10 hypothetical Monarch Atlantis casino resort in Las Vegas derived  
11 from actual advertisements for Monarch's Reno facility, as well as  
12 actual advertisements for Kerzner's casino resort in The Bahamas, to  
13 investigate whether survey respondents would be likely to think the  
14 two were associated in some way.<sup>6</sup> (Jacoby Report, PX 55 at 15-23  
15 (#334-58).) Dr. Jacoby concluded that approximately one in four  
16 respondents would think that there was some association between  
17 them.<sup>7</sup> There is no reason to believe that the results of this

---

18  
19 <sup>6</sup> We do not here attempt a complete description of Dr. Jacoby's  
20 methodology, but only a brief summary of its essence, as directly  
relevant to the issues now before us.

21 <sup>7</sup> Monarch objects that these results are irrelevant because Dr.  
22 Jacoby failed to separate out consumer confusion arising from use of  
23 the Atlantis mark in connection with casino services from use in  
24 connection with hotel or lodging services. This argument is without  
25 merit: "Although no survey can construct a perfect replica of 'real  
26 world' buying patterns, a survey must use a stimulus that, at a  
27 minimum, tests for confusion by roughly simulating marketplace  
conditions." Trouble v. Wet Seal, Inc., 179 F. Supp. 2d 291, 308  
(S.D.N.Y. 2001). Neither Monarch nor Kerzner use the Atlantis mark  
for casino services in a stand-alone casino, nor does either side  
allege that the other was seeking to create such an establishment in  
Las Vegas. Thus, a survey examining consumer confusion relating to  
a combined hotel and casino facility was appropriate, because it  
roughly approximates the marketplace conditions at issue.



1 inquiry would have been different in April 1996 – the survey's  
2 methodology does not depend on consumers previously being aware of  
3 either of the parties' actual casino resorts. Again, however, this  
4 evidence is not particularly helpful in determining when, precisely,  
5 Kerzner's mark may have achieved the status of a famous mark in the  
6 Las Vegas market. It only indicates that if a Monarch casino resort  
7 were to exist in Las Vegas at some point in the future, there would  
8 be a significant likelihood of consumer confusion.

9       In addition to Dr. Jacoby's surveys, there is substantial  
10 evidence in the record relating to the amount and manner of  
11 advertising associated with the reopening of Kerzner's casino resort  
12 under the Atlantis mark. Kerzner engaged in an extensive  
13 promotional campaign to bring its remodeled and renamed casino  
14 resort in The Bahamas to the attention of American consumers. There  
15 is little in the record to tie this campaign specifically to the Las  
16 Vegas market. Nevertheless, the campaign included advertisements  
17 and other promotions in national media which, it may reasonably be  
18 inferred, penetrated the Las Vegas market. (E.g. PX's 3-5, 8, 11,  
19 12, 23 (#334).)

20       There is some evidence in the record of Kerzner's amount of  
21 sales and number of customers for casino services under the Atlantis  
22 mark. The expert report of Stephen Visser includes tables of such  
23 information, broken down by the country and state of origin of  
24 Kerzner's guests. (PX 54 (#334-57).) This evidence, however,  
25 appears to relate to a time period well after that which is relevant  
26 to the present inquiry, beginning with data from no earlier than  
27 1999. (Id. at 9-10.) Moreover, with regard to the information

1 about Nevada, it does not distinguish between the Las Vegas market  
2 and the remainder of the state. Id. As such, this evidence is not  
3 relevant to the present inquiry.

4       There is little or no evidence to indicate Monarch was  
5 intentionally copying Kerzner's example when it adopted the Atlantis  
6 mark in April of 1996. Though Kerzner's casino resort in The  
7 Bahamas was already operating under the Atlantis mark when Monarch  
8 changed the name of its facility in Reno, there is no specific  
9 evidence that Monarch was copying from Kerzner's example. Rather,  
10 it appears that Monarch was expanding its prior use of the Atlantis  
11 mark in connection with its restaurant to encompass its entire Reno  
12 casino resort. As noted above, Monarch's use of the Atlantis mark  
13 in connection with its restaurant predates Kerzner's use of the  
14 mark. This factor, therefore, has little weight in the  
15 circumstances of this case.

16       Although it is a close question, we conclude that there is a  
17 genuine issue of material fact regarding when, if ever, Kerzner's  
18 casino resort acquired the status of a famous mark in the meaning of  
19 Grupo Gigante. Taking all reasonable inferences in Kerzner's favor,  
20 as we must in the present procedural posture, a jury could conclude  
21 that by April 1996 a substantial percentage of consumers in the Las  
22 Vegas market were familiar with Kerzner's mark. Such a result would  
23 be supported, inter alia, by the evidence of Kerzner's substantial  
24 national advertising campaign, as well as other media coverage  
25 associated with the December 1994 reopening, which constitutes  
26 circumstantial evidence of such familiarity. If the jury were to so  
27 conclude, Kerzner would have priority of use in the Atlantis mark

28

1 for casino services in the United States under the Grupo Gigante  
2 famous marks exception.<sup>8</sup>

3 In short, Kerzner's arguments regarding priority of use based  
4 on Penta Hotels and International Bancorp are unpersuasive. There  
5 is some evidence in the record, however, that Kerzner acquired  
6 priority of use in the Atlantis mark for casino services under the  
7 Grupo Gigante famous marks exception. As such, Monarch's motion  
8 (#277) must be denied.

9  
10 **IV. Monarch's Motion (#310) Re. Standing**

11 Monarch has filed a motion entitled  
12 "Defendants/Counterclaimants' Motion for Summary Judgment on the  
13 Issue that Kerzner Does not Use an Atlantis Mark to Provide Casino  
14 Services in Commerce, in the United States, and Thus Has No Standing  
15 to Bring this Action" (#310). Kerzner has opposed (#346) the motion  
16 (#310), and Monarch has replied (#397).

17 "To establish standing to sue for trademark infringement under  
18 the Lanham Act, a plaintiff must show that he or she is either (1)  
19 the owner of a federal mark registration, (2) the owner of an  
20 unregistered mark, or (3) a nonowner with a cognizable interest in  
21 the allegedly infringed trademark." Halicki Films, LLC v. Sanderson  
22 Sales and Mktg., 547 F.3d 1213, 1225 (9th Cir. 2008); see 15 U.S.C.  
23 §§ 1114(1), 1125(a).

24  
25 <sup>8</sup> There is also substantial evidence in the record in support of  
26 the contrary conclusion. For example, in a January 1995 article in  
27 the magazine Travel Agent, the former Kerzner Chief Marketing Officer  
28 is quoted as saying "Everyone knows . . . Paradise Island Resort &  
Casino. They don't know Atlantis yet." (PX 11 at 5 (#334-11).) How  
to weigh such conflicting evidence is for the jury to decide.

1 As the title of Monarch's motion (#310) suggests, Monarch  
2 argues that Kerzner lacks standing because Kerzner has not used the  
3 Atlantis mark in connection with casino services in the United  
4 States. This argument fails to account for the holding of Grupo  
5 Gigante discussed above, that a foreign user of a mark may obtain  
6 trademark rights in the United States without using the mark in the  
7 United States under the famous-marks exception to the territoriality  
8 principle.<sup>9</sup> We concluded above that there remains a genuine issue  
9 of material fact regarding when, if ever, Kerzner's mark acquired  
10 the status of a famous mark. If it did, then Kerzner has standing  
11 to enforce its rights in that famous mark, just like any other party  
12 who owns a mark or who has a cognizable interest in a mark.

13 Monarch's motion (#310), therefore, will be denied.  
14

15 **V. Monarch's Motion (#299) Re. Damages and Injunctive Relief**

16 Monarch has filed a motion entitled  
17 "Defendants/Counterclaimant's Motion for Summary Judgment on the  
18 Issue that Plaintiffs/Counterdefendants' [sic] Cannot Prevail On  
19 Their Claims Because They Cannot Prove the Essential Elements of  
20 Damages, or Entitlement to Injunctive Relief" (#299). Kerzner has  
21 opposed (#346) the motion (#299), and Monarch has replied (#388).  
22  
23

---

24 <sup>9</sup> Monarch suggests in passing that the famous-mark exception may  
25 only entitle the foreign user to injunctive relief, as opposed to full  
26 trademark rights. (Reply at 18 (#397).) This suggestion is  
27 unsupported by argument, and appears to be without merit in any case.  
28 There is nothing in Grupo Gigante, or any other authority that we have  
discovered, that would so limit the trademark rights of the foreign  
users whose marks fall within the famous-marks exception.

1       It is undisputed that Kerzner has suffered no damages as a  
2 result of Monarch's conduct, and Kerzner does not continue to press  
3 its claims for damages. (See P.'s Opp. at 66-67 (#346).) At issue,  
4 therefore, is only whether Kerzner could be entitled to injunctive  
5 relief if it succeeds in demonstrating that it holds senior rights  
6 in the Atlantis mark under the famous-mark exception.

7       A party seeking a permanent injunction must satisfy a four-  
8 factor test, demonstrating: (1) that it has suffered an irreparable  
9 injury; (2) that remedies available at law, such as monetary  
10 damages, are inadequate to compensate for that injury; (3) that,  
11 considering the balance of hardships between the plaintiff and  
12 defendant, a remedy in equity is warranted; and (4) that the public  
13 interest would not be disserved by a permanent injunction. eBay  
14 Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006). In the  
15 trademark context, "once the plaintiff establishes a likelihood of  
16 confusion, it is ordinarily presumed that the plaintiff will suffer  
17 irreparable harm if injunctive relief is not granted." Vision  
18 Sports, Inc. v. Melville Corp., 888 F.2d 609, 612 n.3 (9th Cir.  
19 1989).

20       Monarch's argument that Kerzner cannot show an entitlement to  
21 injunctive relief is essentially three-fold. First, Monarch asserts  
22 that it has never had any specific plans to develop a casino resort  
23 in Las Vegas, let alone one under the Atlantis mark. Thus, Monarch  
24 argues, Kerzner could not demonstrate irreparable injury. Second,  
25 Monarch notes that it is undisputed that no likelihood of confusion  
26 would arise from Monarch operating a hotel alone, without a casino,  
27 in Nevada. Monarch has the right to operate such a hotel under its  
28

1 license agreement with Lodge, and now Kerzner as assignee of Lodge's  
2 rights. Monarch argues that, in light of these circumstances, there  
3 is no evidence that a Las Vegas Atlantis hotel and casino run by  
4 Monarch would create any additional likelihood of confusion.  
5 Finally, Monarch argues that in order to be entitled to injunctive  
6 relief, under the so-called "Dawn Donut" rule Kerzner would have to  
7 have plans of its own to begin offering casino services to consumers  
8 in Las Vegas, but Kerzner admits that it does not have any such  
9 plans.

10 A. Evidence of Monarch's Plans re. Las Vegas

11 Monarch argues that there is a complete lack of any evidence  
12 that it has, or indeed ever had, specific plans to expand its use of  
13 the Atlantis mark in connection with casino services to Las Vegas.  
14 As such, Monarch argues that an injunction would be inappropriate  
15 because of a lack of any showing of likelihood of irreparable harm  
16 if the injunction did not issue.

17 There are several pieces of evidence in the record, however,  
18 from which it could reasonably be inferred that Monarch's alleged  
19 intention to expand to Las Vegas was not wholly speculation on the  
20 part of Kerzner. For example, in interrogatory answers, Monarch  
21 stated that it had what it first characterized as a "business plan  
22 (intellectual, not a written document)," and then through  
23 supplementation recharacterized as a "concept or idea," for  
24 operation of a casino using the Atlantis mark in Las Vegas. (PX 51  
25 at 8 (#334-55); PX 52 at 6 (#334-56).) Further, Monarch stated in  
26 the same interrogatory answer that it "has contacted individuals  
27 expressing its interest in identifying potential business  
28

1 opportunities in Las Vegas." (PX 51 at 8 (#334-55); PX 52 at 6  
2 (#334-56).) Additionally, Mr. Farahi, the principal owner, co-  
3 chairman, and CEO of Monarch testified in his deposition that he had  
4 a conversation with a Mr. Carlin, who is Monarch's investment  
5 banker, in which he stated that he wanted to use the Atlantis mark  
6 for a resort in Las Vegas including, among other things, a casino.  
7 (PX 58 at 62 (#334-72).) Mr. Carlin confirmed in his deposition  
8 that his instructions were to "go back to Kerzner and explain that a  
9 buyer of Monarch could use the Atlantis name on anything in Las  
10 Vegas." (Carlin Dep., PX 56 at 105 (#334-69).)

11 Taking reasonable inferences in Kerzner's favor, this evidence  
12 is sufficient to demonstrate that Monarch had relatively immediate  
13 intentions either to open a casino resort under the Atlantis mark in  
14 Las Vegas or to sell rights in the mark to someone who would, and  
15 had taken at least some steps towards implementation of those  
16 intentions. Thus, an injunction might well be an appropriate remedy  
17 after the conclusion of this lawsuit if Kerzner convinces the jury  
18 that it has senior rights in the mark. See 5 McCarthy, supra, §  
19 30:1 (noting that "the common historical practice has been that a  
20 prevailing plaintiff in a case of trademark infringement . . . will  
21 ordinarily receive injunctive relief of some kind."). That said,  
22 however, it is not necessarily the case that the prevailing party in  
23 a trademark case is always entitled to injunctive relief. See  
24 Winter v. Natural Res. Def. Council, Inc., 129 S.Ct. 365, 381 (2008)  
25 ("An injunction is a matter of equitable discretion; it does not  
26 follow from success on the merits as a matter of course.").

1        B. Likelihood of Confusion

2        Monarch notes that it is undisputed that Monarch has the  
3 exclusive right under its license agreement with Lodge, and now  
4 Kerzner as Lodge's assignee, to use the Atlantis mark for lodging  
5 services in Nevada, including Las Vegas. Monarch suggests that a  
6 Las Vegas resort hotel and casino under the Atlantis mark would  
7 create no greater likelihood of confusion than a facility offering  
8 only lodging services. As such, Monarch argues, Kerzner cannot  
9 demonstrate any additional likelihood of confusion that Kerzner  
10 might be entitled to enjoin.<sup>10</sup>

11        Monarch's premise that a full casino resort under the Atlantis  
12 mark would create no greater likelihood of confusion than a mere  
13 hotel is questionable. A facility that is both a hotel and a casino  
14 would more closely resemble Kerzner's casino resort in The Bahamas  
15 than a facility that only offers lodging services. Taking  
16 reasonable inferences in Kerzner's favor, a greater likelihood of  
17 confusion would be expected where the facilities at issue are more  
18 similar.

19

---

20        <sup>10</sup> The Ninth Circuit has developed an eight-factor test, the so-  
21 called Sleekcraft factors, to guide the determination of the  
22 likelihood of consumer confusion. See GoTo.com, Inc. v. Walt Disney,  
23 Co., 202 F.3d 1199, 1205 (9th Cir. 2000) (citing AMF Inc. v.  
24 Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979) and applying the  
25 Sleekcraft factors in the service marks context). Rather than  
26 proceeding mechanically through discussion of each of the Sleekcraft  
27 factors, we will here address only issues raised by Monarch's motion.  
28 See Brookfield, 174 F.3d at 1054 (noting that the relative importance  
of each individual Sleekcraft factor is "case-specific" and that "non-  
listed variables may often be quite important"). Monarch's argument  
in the present motion may implicitly invoke the second of the eight  
Sleekcraft factors, regarding the relatedness or proximity of the two  
companies' services, though Monarch does not phrase its argument in  
those terms.



1 In any case, however, Monarch's argument fails. In essence,  
2 Monarch imagines that its licensing of the Atlantis mark entitles it  
3 to create a certain likelihood of consumer confusion through  
4 providing lodging services, and only activities that would create an  
5 additional likelihood of consumer confusion could give rise to  
6 liability. We disagree. Indeed, a consumer who believed such a  
7 hotel to be somehow associated with Kerzner's mark would not be  
8 confused at all: as a result of the assignment agreement between  
9 Lodge and Kerzner, Monarch is now Kerzner's licensee, and to that  
10 extent there would be an association of sorts.

11 Monarch is not contractually entitled, however, to use the  
12 Atlantis mark in connection with both casino services and lodging  
13 services. Lodge never operated any casino, and it is undisputed  
14 that Monarch acquired no rights in the Atlantis mark with regard to  
15 casino services through its license for lodging services. Thus, a  
16 consumer who believed casino services provided at a Monarch Atlantis  
17 casino resort in Las Vegas to be associated with Kerzner would be  
18 confused in a way that the consumer making the same association with  
19 regard to lodging services alone would not be. If Kerzner prevails  
20 at trial, it may be issued an injunction to prevent such consumer  
21 confusion.

22 C. The "Dawn Donut" Rule

23 One of the seminal cases in trademark law is Dawn Donut Co.,  
24 Inc. v. Hart's Food Stores, Inc. 267 F.2d 358 (2d Cir. 1959), which  
25 spawned the so-called Dawn Donut rule. Under the Dawn Donut rule,  
26 even if a federal registrant has rights in a mark, it is not  
27 necessarily entitled to an injunction against an unauthorized user:

28

1 "if the use of the marks by the registrant and the unauthorized user  
2 are confined to two sufficiently distinct and geographically  
3 separate markets, with no likelihood that the registrant will expand  
4 his use into the defendant's market, so that no public confusion is  
5 possible, then the registrant is not entitled to enjoin the junior  
6 user's use of the mark." Dawn Donut, 267 F.2d at 364 (footnote  
7 omitted); see also Fairway Foods, Inc. v. Fairway Markets, Inc., 227  
8 F.2d 193, 198 (9th Cir. 1955) (vacating injunction issued to  
9 prevailing plaintiff on essentially the same basis as later became  
10 known as the Dawn Donut rule). Only once the federal registrant has  
11 expanded its use of the mark, so that the market areas of the two  
12 users are no longer separate and distinct, will the registrant be  
13 entitled to an injunction. Mister Donut of Am., Inc. v. Mr. Donut,  
14 Inc., 418 F.2d 838, 844 (9th Cir. 1969) (citing Dawn Donut).

15 Monarch argues that the Dawn Donut rule precludes issuance of an  
16 injunction in this case because Kerzner has no immediate plans to  
17 enter the Las Vegas market under the Atlantis mark. We disagree.

18 Even assuming that Kerzner has no intention of ever opening a  
19 casino in Las Vegas, it might still receive an injunction against  
20 Monarch doing so, the Dawn Donut rule notwithstanding. The basis  
21 for the Dawn Donut rule is the premise that, with regard to users  
22 with geographically separate markets, no consumer confusion is  
23 possible. See Dawn Donut, 267 F.2d at 364. Grupo Gigante  
24 recognizes that consumer confusion can occur in relation to a famous  
25 mark, even if the user of the mark has no intention of ever using  
26 the mark in the United States. See Grupo Gigante, 391 F.3d at 1094.  
27 Thus, although the issue has not yet been addressed by any court,

1 the Grupo Gigante exception to the territoriality principle  
2 necessarily implies an exception to the Dawn Donut rule. An  
3 injunction covering areas of the United States where a mark used  
4 exclusively abroad is determined to be famous in the meaning of  
5 Grupo Gigante would be appropriate to prevent the consumer confusion  
6 and potential for fraud that would otherwise likely result.

7  
8 **V. Monarch's Motion (#279) Re. State Registration**

9 Monarch has filed a motion entitled  
10 "Defendant/Counterclaimants' Motion for Summary Judgment on  
11 Monarch's Sixth Counterclaim, for a Declaratory Judgment that Under  
12 NRS § 600.050 et seq. Monarch's Nevada State Registration for Casino  
13 Services is Valid and Enforceable" (#279). Kerzner has opposed  
14 (#346) the motion (#279), and Monarch has replied (#373).

15 Monarch makes two basic arguments in this motion. First,  
16 Monarch asserts that its Nevada State Registration for the mark  
17 "Atlantis Casino Resort" for casino services is valid and  
18 enforceable as a matter of state law. This point is undisputed:  
19 Kerzner has not challenged the validity of Monarch's state  
20 registration as a matter of state law. Second, Monarch argues that  
21 the usual rule – that state trademark law is preempted by the Lanham  
22 Act insofar as the former would narrow a federal registrant's rights  
23 – does not apply here, and Monarch's rights under Nevada state law  
24 instead trump any federal rights Kerzner may enjoy, under the  
25 unusual circumstances of this case. This second argument is without  
26 merit, as we will now explain.

1       The Lanham Act does not have broad preclusive effect; rather,  
2 it only preempts state laws which would provide less protection than  
3 the Lanham Act, and thus would permit federal trademarks to be  
4 infringed. See, e.g., Golden Door, Inc. v. Odisho, 646 F.2d 347,  
5 352 (9th Cir. 1980). For example, the obtaining of a state  
6 registration does not necessarily reserve the whole state for the  
7 state registrant as a matter of federal law; rather, the state  
8 registrant's rights would yield before those of a federal  
9 registrant, except in the exact territory the state registrant had  
10 continuously used the mark prior to the federal registrant's  
11 constructive use date. See 15 U.S.C. § 1115(b)(5); 3 McCarthy,  
12 supra, § 22:2.

13       Monarch argues, however, that in this case its Nevada state  
14 trademark rights do not yield before Kerzner's rights deriving from  
15 the federal '825 Registration because Kerzner could not, as matter  
16 of Nevada law, use its Atlantis mark in Las Vegas. Monarch's idea  
17 here is that, under Nevada law, in order to obtain an unrestricted  
18 gaming license in a county of more than 100,000 population, the  
19 casino must be associated with a hotel with at least 200 rooms. See  
20 Nev. Rev. Stat. §§ 463.1605, 463.01865. Monarch, however, holds  
21 exclusive rights for use of the Atlantis mark for lodging services  
22 under its license from Lodge (and now Kerzner, as a result of the  
23 Lodge-Kerzner assignment agreement). Thus, Monarch argues, Kerzner  
24 could not build a casino resort including both a casino and a 200-  
25 room hotel in Las Vegas under the Atlantis mark, and could not use  
26 the Atlantis mark for casino services in Las Vegas or anywhere else  
27 in Nevada where the 200-room hotel requirement applies. Monarch  
28

1 reasons that if Kerzner cannot not use the name in Nevada, Monarch  
2 is not blocked from doing so by any federal trademark rights Kerzner  
3 may enjoy elsewhere in the United States.

4 Monarch's argument, however, is flawed. Even if Kerzner is not  
5 able to, or even simply does not want to, operate a casino in  
6 Nevada, it may still have federal trademark rights enforceable in  
7 Nevada under the famous marks exception. As discussed above, under  
8 Grupo Gigante, foreign marks, even if not used within the United  
9 States, let alone any particular state, are entitled to trademark  
10 protection under federal law if they have achieved the required  
11 level of consumer recognition in the relevant geographic area.  
12 Thus, if Kerzner's mark falls under the famous mark exception,  
13 Kerzner has federal rights that would preempt Monarch's state  
14 trademark rights. To hold otherwise would be contrary to the  
15 principle that state law may create greater protection against  
16 consumer confusion than federal law, but may not erode those  
17 protections provided under the Lanham Act or permit consumer  
18 confusion that federal law seeks to prevent. See, e.g., Golden  
19 Door, 646 F.2d at 352.

20 In addition to the two arguments we have already discussed,  
21 Monarch raises a third argument in its Reply (#373) related to the  
22 "natural zone of expansion" doctrine. Issues raised for the first  
23 time in a reply brief are not ordinarily considered by the Court.  
24 United States v. Boyce, 148 F. Supp. 2d 1069, 1085 (S.D. Cal. 2001).  
25 Here, however, Monarch's argument raises an issue of law that the  
26 Court would inevitably have to address, either prior to or in the  
27 course of trial. We will, therefore, briefly comment on it.

1 Monarch invokes the "natural zone of expansion" doctrine to  
2 argue that Monarch is entitled to statewide rights in the Atlantis  
3 mark. (D.'s Reply at (#373).) This would be contrary to the usual  
4 rule, discussed above, that the state registrant's rights would  
5 yield before those of a federal registrant except in the exact  
6 territory the state registrant had continuously used the mark prior  
7 to the federal registrant's constructive use date. See 15 U.S.C. §  
8 1115(b)(5); 3 McCarthy, supra, § 22:2. But Monarch asserts that in  
9 the circumstances of this case, Las Vegas is within its "natural  
10 zone of expansion," and therefore Monarch should be treated as if  
11 Las Vegas is within the territory where it has already used the mark  
12 in connection with casino services, even though Monarch does not  
13 actually operate a casino in Las Vegas.

14 The natural zone of expansion doctrine derives from dictum in  
15 Justice Holmes' concurrence in the famous "Tea Rose" case,  
16 suggesting that state political boundaries should define trademark  
17 rights. See Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 424-  
18 26 (Holmes, J., concurring). The doctrine is normally invoked by  
19 senior users seeking to expand their federal statutory trademark  
20 rights into areas where a junior user is already using the mark  
21 under the protection of the common law. See 5 McCarthy, supra, §  
22 26:20. Here, Monarch turns the doctrine on its head, seeking to  
23 leverage its state trademark rights to expand the geographic area in  
24 which it is entitled to trademark protections in derogation of  
25 Kerzner's federal rights. Monarch has not cited, nor have we  
26 discovered, any authority for so applying the natural zone of  
27  
28

1 expansion doctrine.<sup>11</sup> Monarch's arguments based on the natural zone  
2 of expansion doctrine, therefore, will be rejected.

3 In short, Monarch's Motion (#279) will be granted in part and  
4 denied in part. Monarch's state registration of the Atlantis mark  
5 is valid and enforceable as a matter of Nevada law. That state  
6 registration does not, however, necessarily entitle Monarch to use  
7 the Atlantis mark throughout Nevada; Kerzner may have federal rights  
8 that would preempt any state rights Monarch enjoys. Since the  
9 extent of Kerzner's federal rights, if any, is dependent on the  
10 resolution of genuine issues of material fact – namely, whether  
11 Kerzner falls within the Grupo Gigante famous marks exception, and  
12 when exactly it acquired that status – it is impossible at this  
13 stage to delineate the respective rights of the parties in a precise  
14 or final manner.

## 15 16 VI. Conclusion

17 Kerzner's arguments based on Penta Hotels and International  
18 Bancorp are unpersuasive. There is, however, a genuine issue of  
19 material fact regarding whether Kerzner acquired priority of use in  
20 the Atlantis mark under the Grupo Gigante famous marks exception.  
21 If it did, Kerzner has standing to enforce its trademark rights in  
22 the mark by seeking damages, injunctive relief, or both. Although  
23 Kerzner does not seek damages here, Kerzner may be able to prove  
24 that an injunction would be appropriate in the circumstances of this

---

25  
26 <sup>11</sup> Even in the more usual circumstance, most courts have rejected  
27 the senior user's arguments on the facts, narrowly defining the senior  
28 user's zone of natural expansion. See 5 McCarthy, supra, § 26:20.

1 case. Finally, Kerzner's claims to such relief are not trumped by  
2 Monarch's state registration of the Atlantis mark for casino  
3 services. Even if Kerzner has no intention of operating a casino in  
4 Nevada, it may have federal rights in the mark under the famous mark  
5 exception that would preempt the state trademark rights Monarch  
6 seeks to assert.

7  
8 **IT IS THEREFORE HEREBY ORDERED** that Monarch's "Motion for  
9 Partial Summary Judgment that Monarch has Priority of Use of the  
10 'Atlantis' Mark for Casino Services in the United States" (#277) is  
11 **DENIED**.

12  
13 **IT IS FURTHER ORDERED** that Monarch's "Motion for Summary  
14 Judgment on the Issue that Kerzner Does not Use an Atlantis Mark to  
15 Provide Casino Services in Commerce, in the United States, and Thus  
16 Has No Standing to Bring this Action" (#310) is **DENIED**.

17  
18 **IT IS FURTHER ORDERED** that Monarch's "Motion for Summary  
19 Judgment on the Issue that Plaintiffs/Counterdefendants' [sic]  
20 Cannot Prevail On Their Claims Because They Cannot Prove the  
21 Essential Elements of Damages, or Entitlement to Injunctive Relief"  
22 (#299) is **DENIED**.

23  
24 **IT IS FURTHER ORDERED** that Monarch's "Motion for Summary  
25 Judgment on Monarch's Sixth Counterclaim, for a Declaratory Judgment  
26 that Under NRS § 600.050 et seq. Monarch's Nevada State Registration  
27 for Casino Services is Valid and Enforceable" (#279) is **GRANTED IN**



1 **PART and DENIED IN PART** on the following basis: Monarch's state  
2 registration of the Atlantis mark is valid and enforceable as a  
3 matter of Nevada law. Monarch's state registration does not,  
4 however, necessarily entitle it to use the Atlantis mark throughout  
5 Nevada; Kerzner may have federal rights that would preempt any state  
6 rights Monarch enjoys.

7

8

9 DATED: December 14, 2009.

10

11

  
UNITED STATES DISTRICT JUDGE

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28